

FSA
FEDS



THE FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM

Just how
flexible
is FSAFEDS?

> FIND OUT INSIDE



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



FSAFEDS continues to offer flexibility in 2007:

Stretch your paycheck further in 2007. Save 20-40% or more on your everyday health and dependent care expenses.

FSAFEDS offers pre-tax savings on your common, out-of-pocket expenses. It's just like getting a raise to start the year!

Do you make frequent trips to the drugstore for cold and allergy medicines? Do you or your dependents wear eyeglasses or contacts? Do you go to the dentist? As a parent, do you rely on daycare services that allow you to work? If so, then the FSAFEDS Program is just what you need.

FSAFEDS is a Flexible Spending Account (FSA) program for Federal employees that will save you money by allowing you to set aside pre-tax funds to pay for a wide range of common, out-of-pocket health and dependent care expenses. By paying with pre-tax dollars, you reduce your taxes, resulting in a savings from 20% to more than 40% on the items and care you need. And not just big expenses, or care in a hospital – you can use FSAFEDS for routine expenses, like aspirin and eye drops, too!

Grace period to incur additional expenses

You have an extra 2 1/2 months at the end of the year to incur eligible expenses before you must forfeit any remaining funds. The grace period gives you an additional 75 days to use up your funds – for the 2007 Benefit Period that means until March 15, 2008! We refer to the calendar year plus the 2 1/2 month grace period as the **Benefit Period**. This greatly increases your opportunities to spend your entire allotment within the Benefit Period.

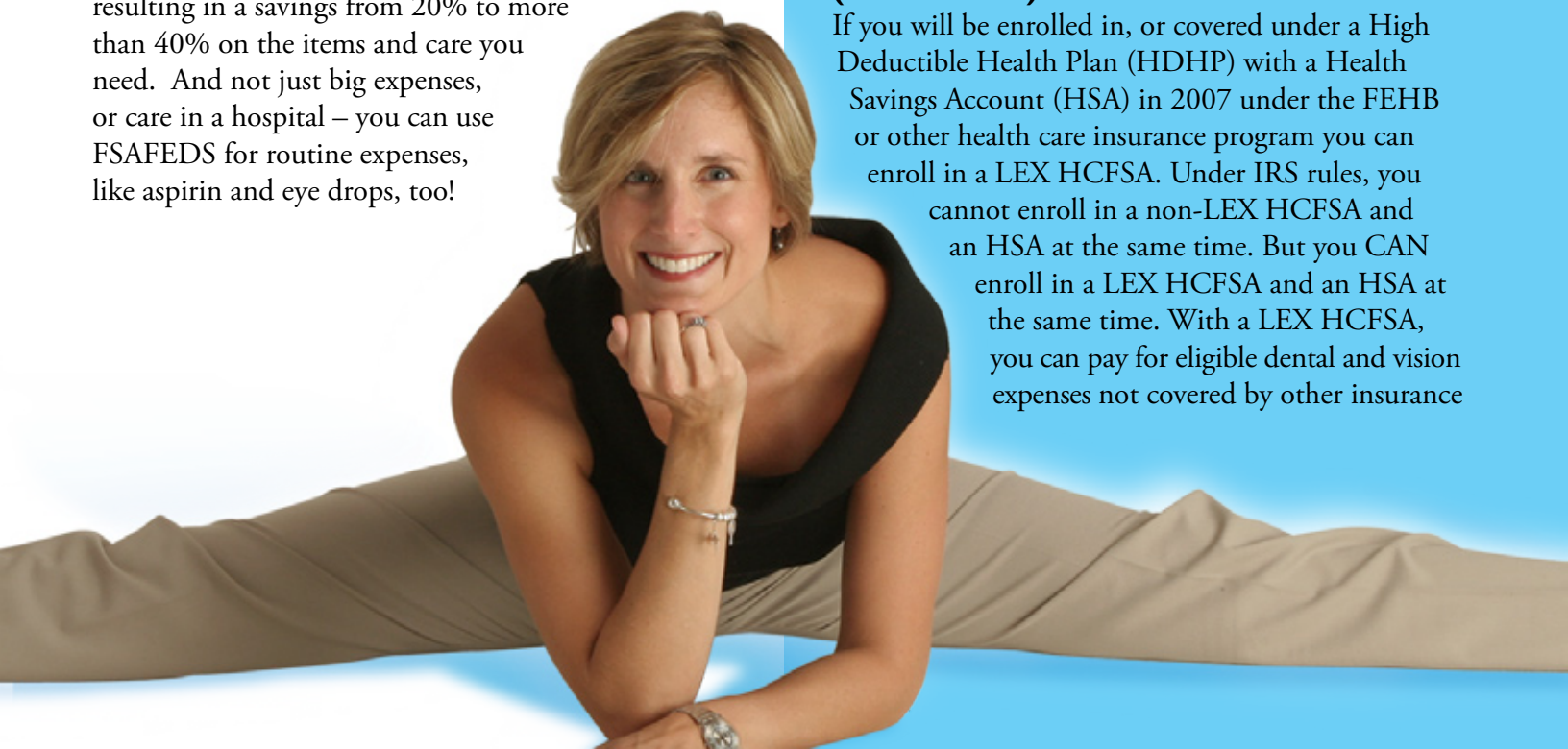
The Health Care Flexible Spending Account (HCFSAs)

You can use an HCFSAs to pay for eligible health care expenses not covered by the Federal Employees Health Benefits (FEHB) Program, the new Federal Employees Dental and Vision Insurance Program (FEDVIP) or any other insurance. An HCFSAs covers eligible health care expenses* including over-the-counter medications for you, your spouse, and your dependents. You may elect up to \$5,000 each year.

That \$5,000 limit is in addition to any amount your spouse may have in a separate HCFSAs, even if your spouse's account is part of the FSAFEDS Program. It is not a household limit.

The Limited Expense HCFSAs (LEX HCFSAs)

If you will be enrolled in, or covered under a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) in 2007 under the FEHB or other health care insurance program you can enroll in a LEX HCFSAs. Under IRS rules, you cannot enroll in a non-LEX HCFSAs and an HSA at the same time. But you CAN enroll in a LEX HCFSAs and an HSA at the same time. With a LEX HCFSAs, you can pay for eligible dental and vision expenses not covered by other insurance



for you and your dependents. For more information on HSAs, visit www.opm.gov/hsa. By using a LEX HCFSAs to pay for eligible dental and vision expenses (only), you can take advantage of pre-tax savings and preserve the funds in your HSA to use or save for other purposes. You may elect up to \$5,000 each year and that is not a household limit.

The Dependent Care Flexible Spending Account (DCFSA)

You can use a DCFSA to pay for eligible dependent care expenses that allow you (and your spouse if you're married) to work, look for work, or attend school full-time. You may elect up to \$5,000 each year. You (and your spouse if you are married) must have earned income during the year.

That \$5,000 limit is a total combined amount for your household, including any child care subsidy amounts, in accordance with Internal Revenue Service regulations.

A DCFSA covers eligible expenses* for the care of:

- Dependent children under age 13
- A person of any age you claim as a dependent on your Federal Income Tax return, and who is mentally or physically incapable of self-care

The IRS allows an income tax credit of up to \$6,000 for dependent care expenses, if you have two or more dependents (up to \$3,000 for one dependent). The amount of the credit is based on your adjusted gross income and applies only to your Federal taxes. So, while the maximum allowed under a DCFSA is \$5,000, you may be able to apply part or all of the incremental difference between your DCFSA election and the Child and Dependent Care Tax Credit, depending on your tax situation. Please consult a tax professional for more information.

** For more information, refer to the examples of eligible expenses found in this brochure or go to www.FSAFEDS.com and click on "Eligible Expenses Juke Box" located under the Quick Links heading. You can also contact an FSAFEDS Benefits Counselor at 1-877-FSAFEDS (1-877-372-3337), TTY: 1-800-952-0450. Eligible expenses for FSA programs are defined by Internal Revenue Code Sections 105, 125, and 129.*



FSAFEDS Eligibility

Employees of participating Federal agencies who are eligible for FEHB (whether enrolled or not) may elect an FSAFEDS Health Care FSA. Except for intermittent employees who are expected to work fewer than six months, all employees of participating Federal agencies may enroll in an FSAFEDS Dependent Care FSA, even if they are not eligible for FEHB.

Health Care Eligible Expenses

Here are some examples of eligible health care expenses:

- Co-payments, co-insurance and deductibles (but not insurance premiums, including long term care insurance and dental/vision insurance premiums)
- Acupuncture
- Artificial reproductive technologies
- Childbirth classes
- Chiropractic care
- Contact lenses and contact lens solutions, cleaners, and cases
- Dental care (including crowns, endodontic services, implants, oral surgery, periodontal services, sealants).
- Diabetic supplies
- Expenses that exceed medical, dental or vision plan limits (including dollar or visit maximums or amounts that exceed plan allowances, such as out-of-network providers)
- Hearing aids (including batteries)
- Home medical equipment (e.g., crutches, wheelchairs**, canes, oxygen, respirators, etc.)
- Laser eye surgery
- Learning disability treatments and therapies (including speech therapy and remedial reading)**
- Mattresses and bed boards**
- Medical supplies
- Occupational therapy
- Orthodontia
- Orthotics
- Over-the-counter medicines (not including vitamins and dietary supplements)
- Physical therapy
- Prescription drugs
- Preventive care screenings
- Prosthetics**
- Psychiatric services and care
- Shipping and handling charges for medical needs, such as mail-order prescriptions and eligible over-the-counter items

- Smoking cessation programs (including over-the-counter treatments)
- Specialized equipment or services for disabled persons (e.g., automobile modifications; Braille books and magazines; guide, companion or service animals; home alert systems for visual/hearing impaired persons; note-takers or ASL interpreters; tape recorders and typewriters for the visually impaired; etc.)**
- Sunscreen
- Transportation expenses related to medical care
- Vision care, eyeglasses (including prescription sunglasses)
- Water fluoridation**
- Well-baby and well-child care
- Whirlpool baths**
- Wigs (for hair loss due to a disease)**

*** These expenses require a letter of medical necessity from your health care provider in order to be considered eligible for reimbursement. The letter must include the diagnosis or symptoms for which you or your dependent are being treated, along with specific information on how the product or service will alleviate symptoms or improve function.*



Some ineligible health care expenses include:

- Cosmetic procedures (unless required to restore appearance or function due to disease or illness)
- Expenses you claim on your income tax return
- Expenses reimbursed by other sources, such as insurance plans
- Fitness programs (unless medically necessary)
- Hair transplants
- Illegal treatments, operations, or drugs
- Insurance premiums, including COBRA, Tricare, dental, vision and long term care insurance premiums
- Physician retainer fees including boutique and concierge practice membership fees
- Prescription drug discount program fees
- Weight loss programs for general well-being

LEX HCFSA Eligible Expenses

Here are some examples of eligible dental and vision expenses:

- Cleanings
- Fillings
- Crowns
- Orthodontics
- Over-the-counter items such as denture care products (but not toothpaste)
- Eyeglasses
- Refractions
- Vision correction procedures
- Contact lenses and contact lens solutions, cleaners, and cases

Cosmetic services – whether dental or vision related – are not eligible expenses.

> DON'T FORGET TO ENROLL!

**FSAFEDS Open Season
begins November 13, 2006
and ends December 11, 2006**



Learn how much you can save with FSAFEDS!

Complete this brief worksheet to see just how much you can save by enrolling in FSAFEDS.

1. Find your Federal Income Tax rate, based on your expected 2007 income:

Tax Rate	Single or Head of Household (HOH)
15%	\$7,550 to 30,650 Single \$10,750 to 41,050 HOH
25%	\$30,650 to 74,200 Single \$41,050 to 106,000 HOH
28%	\$74,200 to 154,800 Single \$106,000 to 171,650 HOH

Tax Rate	Married - Filing Jointly or Separately
15%	\$15,100 to 61,300 Jointly \$7,550 to 30,650 Separately
25%	\$61,300 to 123,700 Jointly \$30,650 to 61,850 Separately
28%	\$123,700 to 188,450 Jointly \$61,850 to 94,225 Separately

Dependent Care Eligible Expenses

The DCFSA reimburses you for dependent care expenses that allow you (and your spouse if you're married), to work, look for work, or attend school full-time. You (and your spouse if you are married) must have earned income during the year.

You can use your DCFSA to pay eligible expenses for the care of your dependent children (under age 13) or any person you claim as a dependent on your Federal Income Tax return who is mentally or physically incapable of self-care.

Here are some examples of eligible dependent care expenses:

- Child care (at a daycare center, day camp, nursery school or by a private sitter)
- Late pick-up fees (paid to a caregiver)
- Before and after-school care (must be billed separate from tuition expenses)
- Adult daycare expenses
- Expenses for a housekeeper whose duties include caring for an eligible dependent
- Placement fee expenses for hiring an au pair, as well as his/her stipend

Eligible dependent care services cannot be provided by a person you claim as a dependent.

Some ineligible expenses include:

- Education and tuition fees
- Health care expenses for dependents
- Late payment fees
- Overnight camps (in general)
- Sports lessons, field trips, clothing
- Transportation to and from a dependent care provider

2. Enter your total Federal tax rate:
#1 plus 1.45% for CSRS or 7.65% for FERS:
_____ %

This percentage is the discount you will receive by using an FSA for eligible health care and dependent care expenses, before state or local income taxes are deducted.

3. Enter your planned FSA contribution for 2007:
\$ _____
4. Multiply #3 by #2. This is the amount an FSA can save you in 2007 on eligible expenses. \$ _____

> REMEMBER

**Current participants
MUST re-enroll each
year to continue participation.
Enrollments DO NOT carry
forward from year to year.**

Using FSAFEDS is quick and easy.

You can start saving money through FSAFEDS by following these four simple steps:

1. Determine Your Contribution

First, figure out how much money you'd like to set aside for the year. For help, use the FSA calculator at www.FSAFEDS.com (click on "Savings Calculator" located under the Quick Links section). You can allot up to \$5,000 to an HCFSAs or LEX HCFSAs and/or up to \$5,000 to a DCFSAs. All accounts have a minimum election amount of \$250.

Please be sure to estimate your expenses carefully. Remember: The FSAFEDS 2007 Benefit Period runs from January 1, 2007 through March 15, 2008. This gives you 14 1/2 months to incur eligible expenses and apply them against your 2007 HCFSAs or LEX HCFSAs and/or DCFSAs election amount(s).

If you plan to separate/retire during the Benefit Period, you can only be reimbursed for eligible HCFSAs or LEX HCFSAs expenses **incurred prior to your**

separation/retirement date. There are no extensions. You still have until May 31, 2008 to submit any eligible claims for those expenses. You can continue to use any remaining balance in your DCFSAs to pay for eligible expenses until the end of the Benefit Period or until your account balance is used up, whichever comes first.

Very Important: You will forfeit any funds remaining in your FSA account(s) after March 15, 2008 for which you have not incurred an eligible expense. However, you have until May 31, 2008 to file claims for reimbursement of eligible expenses incurred during the 2007 Benefit Period.

2. Enroll During Open Season- November 13 through December 11, 2006

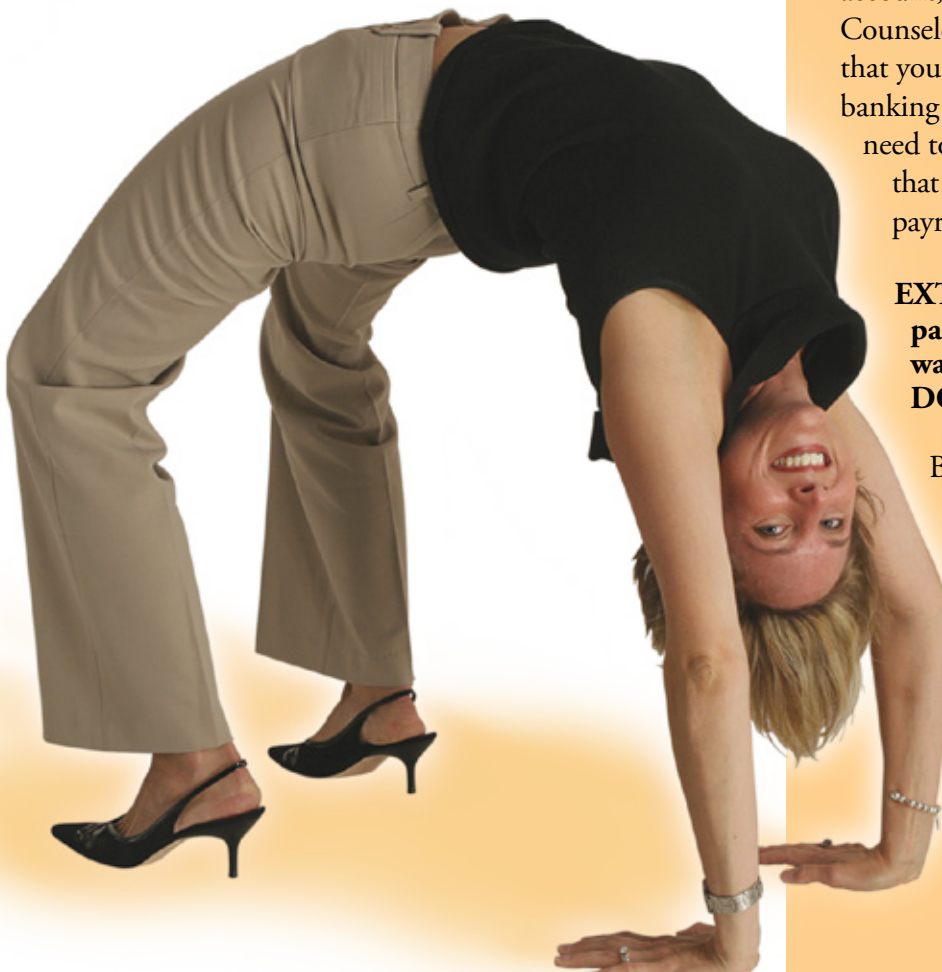
Online – Just go to www.FSAFEDS.com and click on the "Enroll Now" link contained in the main header on the home page. This will lead you through a simple online enrollment process. Once completed, a confirmation statement will automatically be sent to your email address. Your confirmation statement will also be available via My Account Summary at www.FSAFEDS.com. Electronic Funds Transfer (EFT) is required to enroll online. If you do not have a bank account, you must contact an FSAFEDS Benefits Counselor to enroll. You will need to provide evidence that you do not have a bank account or that your banking institution does not accept EFT. You will need to provide a statement from your bank that you receive hard copy paychecks from your payroll provider.

EXTREMELY IMPORTANT: Current participants MUST re-enroll each year if they want to continue participation. Enrollments DO NOT carry forward from year-to-year.

By phone – You can also enroll by calling an FSAFEDS Benefits Counselor toll-free at 1-877-FSAFEDS (372-3337), TTY: 1-800-952-0450, Monday through Friday, 9:00 AM until 9:00 PM, Eastern Time.

Are you a newly hired employee?

If so, you have 60 days after your hire date, but no later than October 1 to make an election to participate in a HCFSAs, LEX HCFSAs or DCFSAs.



If you are hired on or after October 1, 2007 you are not eligible to participate in 2007 but can elect an FSA during the open season for 2008. That election will be effective for the Benefit Period starting on January 1, 2008.

3. Incur an Eligible Expense and Submit your Claim

When you incur an eligible expense during the 2007 Benefit Period, you first pay for it out-of-pocket. Then you need to download a claim form from www.FSAFEDS.com, complete the form and fax or mail it to FSAFEDS. All claims must be accompanied by appropriate documentation.

Alternatively, if your FEHB plan participates, you may wish to sign up for Paperless Reimbursement. This means your FEHB plan sends a file to FSAFEDS to process your FEHB out-of-pocket expenses and you don't have to submit paper claims for those expenses. Visit www.FSAFEDS.com for more information about Paperless Reimbursement.

4. Get Reimbursed Fast

FSAFEDS processes claims on a daily basis during the work week in the order they are received. Your money is wired directly to your savings or checking account via Electronic Funds Transfer (EFT) as soon as possible after we receive your claim.

Managing your FSA

There are two simple ways to manage your FSAFEDS account:

Online

FSAFEDS.com is always open. It gives you immediate access to your personal account, online customer service, claim forms, an interactive calculator and much more. FSAFEDS.com uses encryption technology to protect the privacy of your personal information. Just log on to **www.FSAFEDS.com** and click on "My Account Summary" for your password protected access.

Phone

Program and account information is available by calling 1-877-FSAFEDS (372-3337), TTY: 1-800-952-0450. FSAFEDS Benefits Counselors are available Monday through Friday, 9:00 A.M. to 9:00 P.M., Eastern Time to answer your questions.

FSAFEDS equals Federal tax savings

An FSA provides a mechanism for you to set money aside for eligible health and dependent expenses before taxes are deducted from your paycheck. This means you pay less tax on your annual income. The tax savings translates into a significant discount on what you pay for common out-of-pocket expenses. Here's an example:

ANNUAL SAVINGS EXAMPLE*	CSRS		FERS	
	FSA	No FSA	FSA	No FSA
Annual pay	\$50,000	\$50,000	\$50,000	\$50,000
Pre-tax FSA contribution	(2000)	0	(2,000)	0
Taxable income	48,000	50,000	48,000	50,000
Federal Income and Social Security Tax	(8,866)	(9,395)	(11,842)	(12,495)
After-tax dollars spent on eligible expenses	0	(2,000)	0	(2,000)
Available after-tax income	39,134	38,605	36,158	35,506
Discount with an FSA:	\$529* or 26%		\$653* or 33%	

** This example illustrates tax savings based on 25% Federal and 7.65% FICA taxes. This results in a 32.65% discount on eligible expenses paid through an FSA. Actual savings will vary based on your individual tax situation, and on whether you are covered under Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). You may wish to consult a tax professional for more information on the tax implications of an FSA.*



Enroll NOW

and get ready to save!

To take advantage of great savings on the health care and dependent care items and services you will most certainly purchase in 2007, visit the FSAFEDS web site or call FSAFEDS toll-free to speak with an FSAFEDS Benefits Counselor.

**FSAFEDS Open Season begins
November 13, 2006 and ends
December 11, 2006**

**REMEMBER: Current participants
MUST re-enroll each year to continue
participation. Enrollments DO NOT
carry forward from year to year.**

Not only can you enroll at www.FSAFEDS.com, but you can obtain the latest information on program updates and claim forms.

> **TELEPHONE:**

1-877-FSAFEDS toll-free
(1-877-372-3337)
Monday through Friday
9:00 A.M. to 9:00 P.M.,
Eastern Time

> **TTY:**

1-800-952-0450 toll-free

> **FAX:**

1-866-643-2245 (toll-free)
or 1-502-267-2233

> **WEB:**

www.FSAFEDS.com

> **MAIL:**

FSAFEDS Program
P.O. Box 36880
Louisville, KY 40232

> **Questions? Contact us via EMAIL at FSAFEDS@shps.com**

The Office of Personnel Management selected SHPS as the Third Party Administrator for the day-to-day administration of FSAFEDS.



The information presented in this brochure is not all-inclusive, nor a guarantee of eligibility or payment. Eligibility will be determined by the applicable provisions of the plan, based on Internal Revenue Service regulations for FSA programs.

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